

IC 6-3.1-7

Chapter 7. Enterprise Zone Loan Interest Credit

IC 6-3.1-7-1

Definitions

Sec. 1. As used in this chapter:

"Enterprise zone" means an enterprise zone created under IC 4-4-6.1.

"Pass through entity" means a:

- (1) corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);
- (2) partnership;
- (3) trust;
- (4) limited liability company; or
- (5) limited liability partnership.

"Qualified loan" means a loan made to an entity that uses the loan proceeds for:

- (1) a purpose that is directly related to a business located in an enterprise zone;
- (2) an improvement that increases the assessed value of real property located in an enterprise zone; or
- (3) rehabilitation, repair, or improvement of a residence.

"State tax liability" means a taxpayer's total tax liability that is incurred under:

- (1) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
- (2) IC 27-1-18-2 (the insurance premiums tax); and
- (3) IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that, under IC 6-3.1-1-2, are to be applied before the credit provided by this chapter.

"Taxpayer" means any person, corporation, limited liability company, partnership, or other entity that has any state tax liability. The term includes a pass through entity.

As added by P.L.51-1984, SEC.1. Amended by P.L.9-1986, SEC.7; P.L.80-1989, SEC.8; P.L.347-1989(ss), SEC.15; P.L.8-1993, SEC.87; P.L.120-1999, SEC.4; P.L.192-2002(ss), SEC.97.

IC 6-3.1-7-2

Eligible taxpayers; amount of credit; pass through entities

Sec. 2. (a) A taxpayer is entitled to a credit against the taxpayer's state tax liability for a taxable year if the taxpayer:

- (1) receives interest on a qualified loan in that taxable year;
- (2) pays the registration fee charged to zone businesses under IC 4-4-6.1-2;
- (3) provides the assistance to urban enterprise associations required from zone businesses under IC 4-4-6.1-2(b); and
- (4) complies with any requirements adopted by the enterprise zone board under IC 4-4-6.1 for taxpayers claiming the credit under this chapter.

However, if a taxpayer is located outside of an enterprise zone,

subdivision (4) does not require the taxpayer to reinvest its incentives under this section within the enterprise zone, except as provided in subdivisions (2) and (3).

(b) The amount of the credit to which a taxpayer is entitled under this section is five percent (5%) multiplied by the amount of interest received by the taxpayer during the taxable year from qualified loans.

(c) If a pass through entity is entitled to a credit under subsection (a) but does not have state tax liability against which the tax credit may be applied, an individual who is a shareholder, partner, beneficiary, or member of the pass through entity is entitled to a tax credit equal to:

(1) the tax credit determined for the pass through entity for the taxable year; multiplied by

(2) the percentage of the pass through entity's distributive income to which the shareholder, partner, beneficiary, or member is entitled.

The credit provided under this subsection is in addition to a tax credit to which a shareholder, partner, beneficiary, or member of a pass through entity is entitled. However, a pass through entity and an individual who is a shareholder, partner, beneficiary, or member of a pass through entity may not claim more than one (1) credit for the qualified expenditure.

As added by P.L.51-1984, SEC.1. Amended by P.L.120-1999, SEC.5; P.L.73-2000, SEC.2.

IC 6-3.1-7-3

Credit carryover

Sec. 3. (a) If the amount determined under section 2(b) of this chapter for a particular taxpayer and a particular taxable year exceeds the taxpayer's state tax liability for that taxable year, then the taxpayer may carry the excess over to the immediately succeeding taxable years. Except as provided in subsection (b), the credit carryover may not be used for any taxable year that begins more than ten (10) years after the date on which the qualified loan from which the credit results is made. The amount of the credit carryover from a taxable year shall be reduced to the extent that the carryover is used by the taxpayer to obtain a credit under this chapter for any subsequent taxable year.

(b) Notwithstanding subsection (a), if a loan is a qualified loan as the result of the use of the loan proceeds in a particular enterprise zone, and if the phase-out period of that enterprise zone terminates in a taxable year that succeeds the last taxable year in which a taxpayer is entitled to use credit carryover that results from that loan under subsection (a), then the taxpayer may use the credit carryover for any taxable year up to and including the taxable year in which the phase-out period of the enterprise zone terminates.

As added by P.L.51-1984, SEC.1.

IC 6-3.1-7-4

Credit; allocation to state tax liability

Sec. 4. (a) A credit to which a taxpayer is entitled under this chapter shall be applied against taxes owed by the taxpayer in the following order:

- (1) First, against the taxpayer's adjusted gross income tax liability (IC 6-3-1 through IC 6-3-7) for the taxable year.
- (2) Second, against the taxpayer's insurance premiums tax liability (IC 27-1-18-2) for the taxable year.
- (3) Third, against the taxpayer's financial institutions tax liability (IC 6-5.5) for the taxable year.

(b) If the tax paid by the taxpayer under a tax provision listed in subsection (a) is a credit against the liability or a deduction in determining the tax base under another Indiana tax provision, the credit or deduction shall be computed without regard to the credit to which a taxpayer is entitled under this chapter.

As added by P.L.51-1984, SEC.1. Amended by P.L.80-1989, SEC.9; P.L.192-2002(ss), SEC.98.

IC 6-3.1-7-5

Claiming of credit on annual state tax return

Sec. 5. To receive the credit provided by this chapter, a taxpayer must claim the credit on his annual state tax return or returns in the manner prescribed by the department. The taxpayer shall submit to the department all information that the department determines is necessary for the calculation of the credit provided by this chapter and for the determination of whether a loan is a qualified loan.

As added by P.L.51-1984, SEC.1.

IC 6-3.1-7-6

Disallowance of credit

Sec. 6. (a) If the department determines that the proceeds from a loan are used for a purpose other than the purpose stated at the time a credit was claimed under this chapter for interest on that loan, and if that stated purpose caused the department to designate the loan as a qualified loan, then the department shall disallow the credit allowed under this chapter for interest on that loan.

(b) A taxpayer shall pay to the department the amount of any credit disallowed under this section.

As added by P.L.51-1984, SEC.1.